

**COURTLAND MANOR  
AUDIT REPORT  
MEDICAID COST REPORT AND  
NURSING WAGE SURVEY  
JUNE 30, 2005**

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**INDEX**

	Page
INDEPENDENT AUDITORS' REPORT	1-2
SCHEDULE OF ADJUSTMENTS TO THE STATEMENT OF REIMBURSEMENT COST FOR SKILLED AND INTERMEDIATE CARE NURSING FACILITIES – TITLE XIX AND NURSING WAGE SURVEY	3-5
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON A FINANCIAL AUDIT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	6-9

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## Independent Auditors' Report

State of Delaware  
Office of Auditor of Accounts  
Dover, Delaware

We have audited the Statement of Reimbursement Cost for Skilled and Intermediate Care Nursing Facilities – Title XIX, pages 2 through 6 (the Cost Report) and Nursing Wage Survey (the Survey) of Courtland Manor (the Facility) for the year ended June 30, 2005. The Cost Report and Survey are the responsibility of the Facility's management. Our responsibility is to express an opinion on the Cost Report and Survey based on our audit, which are not affixed hereto.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Cost Report and Survey are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Cost Report and Survey. An audit also includes assessing the accounting principles and Medicaid principles of cost reimbursement used and significant estimates made by management, as well as evaluation of the overall presentation of the Cost Report and Survey. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, except for the accompanying Schedule of Adjustments, the Cost Report and Survey of Courtland Manor referred to above presents fairly, in all material respects, the reimbursement costs of the Facility for the year ended June 30, 2005 in conformity with accounting principles generally accepted in the United States of America and Medicaid principles of cost reimbursement.

## Independent Auditors' Report (Cont'd.)

In accordance with *Government Auditing Standards*, we also issued our report dated August 16, 2007 on our consideration of the Facility's internal control over reporting for the Cost Report and Survey and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*McBride, Shopa & Co*

Wilmington, Delaware  
August 16, 2007

**COURTLAND MANOR**  
**SCHEDULE OF ADJUSTMENTS TO THE STATEMENT OF REIMBURSEMENT**  
**COST FOR SKILLED AND INTERMEDIATE CARE NURSING FACILITIES - TITLE XIX**  
**AND THE NURSING WAGE SURVEY**  
**YEAR ENDED JUNE 30, 2005**

<u>Description</u>	<u>Page</u>	<u>Line</u>	<u>As Filed</u> <u>Amounts</u>	<u>Audit</u> <u>Adjustments</u>		<u>Adjusted</u> <u>Amounts</u>	<u>Adjusted</u> <u>Cost</u> <u>Per Day</u>	<u>Note</u> <u>Ref.</u>
				<u>No.</u>	<u>Amount</u>			
<b><u>PART I - COST REPORT TRIAL BALANCE AND ADJUSTMENTS</u></b>								
<i>Primary Patient Care Costs - unadjusted (lines 1-5)</i>	<b>2</b>	<b>5</b>	\$ 1,499,457		-	\$ 1,499,457	\$ 58.51	
<i>Secondary Patient Care Costs - unadjusted (lines 6-14)</i>	<b>2</b>	<b>14</b>	149,248		-	149,248	5.82	
<i>Support Service Costs - unadjusted (lines 15-22)</i>	<b>2</b>	<b>22</b>	858,896		-	858,896	33.52	
<i>Administrative &amp; Routine Costs (lines 23-32)</i>								
Medical & Nursing Director Salary	2	24	93,145	1	34,987	128,132		S-1
Other Administrative Salaries	2	25	579,266	2	(61,996)	517,270		S-1
Employee Benefits	2	26	78,955	3	40,586	119,541		S-1
Medical Records	2	27	13,577	4	(13,577)	-		S-1
Other	3	31	67,201	5	(5,145)	62,056		OC-1
Unadjusted lines	2-3	23, 28-30	<u>975</u>		<u>-</u>	<u>975</u>		
<b>Subtotal - Administrative &amp; Routine</b>	<b>3</b>	<b>32</b>	<b>833,119</b>		<b>(5,145)</b>	<b>827,974</b>	<b>32.31</b>	
<i>Capital Costs (lines 33-39)</i>								
Interest - Mortgage	3	34	(1,225)	1	1,225	-		OC-2
Unadjusted lines	3	33, 35-38	<u>321,332</u>		<u>-</u>	<u>321,332</u>		
<b>Subtotal - Capital Costs</b>	<b>3</b>	<b>39</b>	<b>320,107</b>		<b>1,225</b>	<b>321,332</b>	<b>12.54</b>	
<b>SUBTOTAL</b>	<b>3</b>	<b>40</b>	<b>3,660,827</b>		<b>(3,920)</b>	<b>3,656,907</b>	<b>142.72</b>	
<i>Ancillary Costs - unadjusted (lines 41-49)</i>	<b>3</b>	<b>49</b>	<b>29,374</b>		<b>-</b>	<b>29,374</b>	<b>1.15</b>	
<i>Other Costs - unadjusted (lines 50-52)</i>	<b>3</b>	<b>52</b>	<b>9,783</b>		<b>-</b>	<b>9,783</b>	<b>0.38</b>	
<b>TOTAL COSTS</b>	<b>3</b>	<b>53</b>	<b>\$ 3,699,984</b>		<b>\$ (3,920)</b>	<b>\$ 3,696,064</b>	<b>\$ 144.25</b>	

**COURTLAND MANOR**  
**SCHEDULE OF ADJUSTMENTS TO THE STATEMENT OF REIMBURSEMENT**  
**COST FOR SKILLED AND INTERMEDIATE CARE NURSING FACILITIES - TITLE XIX**  
**AND THE NURSING WAGE SURVEY**  
**YEAR ENDED JUNE 30, 2005**

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			<u>Amounts</u>	<u>Adjustments</u>		<u>Amounts</u>		<u>Cost</u>
				<u>No.</u>	<u>Amount</u>			
<u>PART II - COST REPORT PATIENT DAYS</u>								
Total beds	6	1,3	78		-	78		
Total bed days available	6	4	28,470		-	28,470		
90% minimum census threshold	6		25,623		-	25,623		
Total census days	6	5E	21,927	1	(144)	21,783	C-1	

**PART III - NURSING WAGE SURVEY**

***II. Staff Nurse Information***

Total Payroll by category:RNs	11	A	\$ 8,296	1	452	\$ 8,748	NWS-1
Total Hours Paid to Staff for Pay Period: RNs	11	A	337	2	(11)	326	NWS-1
Number of Staff Paid During Pay Period: CNAs	11	B	35	1	(1)	34	NWS-1
Total Payroll by category:RNs	11	B	\$ 2,845	1	(29)	\$ 2,816	NWS-1
Total Payroll by category:LPNs	11	B	\$ 17,472	2	548	\$ 18,020	NWS-1
Total Payroll by category:CNAs	11	B	\$ 24,976	3	(395)	\$ 24,581	NWS-1
Total Hours Paid to Staff for Pay Period: RNs	11	B	114	1	7	121	
Total Hours Paid to Staff for Pay Period: LPNs	11	B	766	2	70	836	NWS-1
Total Hours Paid to Staff for Pay Period: CNAs	11	B	2,222	3	51	2,273	NWS-1

**COURTLAND MANOR**  
**SCHEDULE OF ADJUSTMENTS TO THE STATEMENT OF REIMBURSEMENT**  
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**YEAR ENDED JUNE 30, 2005**

**PART IV - DETAILED EXPLANATION OF ADJUSTMENTS**

**Adjustments affecting other costs (OC):**

**OC-1** To remove additional advertising expenses not originally removed from cost report.

**OC-2** To reverse adjustment made by facility on cost report. Adjustment made on cost report to offset interest income against interest expense, but was unnecessary due to the fact that facility had no interest expense during the year.

**Adjustments affecting salary (S):**

**S-1** To reclass benefits originally classified in other administrative salaries to other administrative benefits, and to reclass ADON salary from other administrative salaries to Medical and Nursing Director salary line item. Also to reclass medical records salary from medical records line item to administrative salary line item.

**Adjustments affecting census data (C):**

**C-1** To adjust census to actual per Annual Census Data

**Adjustments affecting nursing wage survey (NWS):**

**NWS-1** To adjust NWS to reflect accurate time period

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON A FINANCIAL AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

State of Delaware  
Office of Auditor of Accounts  
Department of Health & Social Services  
Division of Social Services Medicaid  
Dover, Delaware

We have audited the Statement of Reimbursement Costs for Skilled and Intermediate Care Nursing Facilities – Title XIX, pages 2 through 6 (the Cost Report) and the Nursing Wage Survey (the Survey) for Courtland Manor (the Facility) for the year ended June 30, 2005, and have issued our report thereon dated August 16, 2007, which was qualified due to the required adjustments reported in the Schedule of Adjustments accompanying it. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

### Internal Control Over Reporting

In planning and performing our audit, we considered the Facility's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Cost Report and Survey and not to provide an opinion on the internal control over financial reporting.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to the Cost Report and Survey being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses.

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Facility's Cost Report and Survey are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of reported amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters involving instances of immaterial noncompliance and nonreportable conditions or other matters involving internal control over reporting that came to our attention:

**Problem:** In its plant ledger, the facility includes several assets, which cost less than \$5,000, the allowable capitalization minimum for Medicare and Medicaid purposes. All assets in the plant ledger must be depreciated over their estimated useful lives, requiring several years before costs can be recovered through Medicare and Medicaid reimbursement. Further, the added volume of assets increases the record keeping burden of maintaining the plant ledger.

**Suggestion:** Management should consider increasing its capitalization floor to \$5,000 to allow increased reimbursement in the year of smaller asset purchases and reduce the future burden of maintaining its plant ledger.

\* \* \* \* \*

**Problem:** The Facility is depreciating some fixed assets using useful lives that are not in accordance with AHA guidelines. As a result the facility is including incorrect depreciation amounts in its cost report.

**Suggestion:** Management should follow AHA guidelines when depreciating asset additions.

\* \* \* \* \*

**Problem:** The Nursing Wage Survey was prepared using a report dated 6/13/05 to 6/25/05. The actual last complete pay period in June 2005 was from 6/14/05 to 6/27/05. The report used included one day from the first complete pay period in June and excluded the last days in the last complete pay period in June 2005.

**Suggestion:** Management should adjust the Nursing Wage Survey to only include the dates incorporated by the last complete pay period each year.

**Problem:** The Facility reclassified the training portion of salaries paid to nursing staff out of the nursing staff salaries line and into the nursing staff training line. The

instructions explain that only direct costs associated with training may be classified as nursing staff training for cost reporting purposes.

Suggestion: Until changed by the Department of Health and Social Services, the cost report instructions must be followed for classification of nursing salaries.

\* \* \* \* \*

Problem: The Facility reclassified the benefits associated with the administrative portion of salaries paid to nursing staff out of the nursing staff benefits line and into the other administrative salaries line. The benefits associated with the administrative portion of nursing staff salaries should be removed from the nursing staff benefits line and inserted in the administrative and routine costs employee benefits line. Also, the cost report instructions explain that the salaries for the Director (and Assistant Director) of Nursing should be classified in the medical and nursing director salary line and the salaries for medical records personnel should be classified in the medical records line, the facility classified the Assistant Director of Nursing and medical records salaries in the other administrative line on the cost report.

Suggestion: The facility should insert benefits associated with administrative duties in the administrative and routine costs employee benefits line when reclassifying the portion of nursing staff salaries attributable to administrative duties. Also, until changed by the Department of Health and Social Services, the cost report instructions must be followed for classification of the Assistant Director of Nursing and medical records salaries.

\* \* \* \* \*

Problem: Management included adjustments on the Medicaid Cost Report to offset interest income against interest expense, but no interest expense was recorded on the Cost Report.

Suggestion: Management should make sure there are expenses recorded when offsetting income against an expense account.

\* \* \* \* \*

Problem: The Facility did not remove unallowable advertising expenses from the Cost Report.

Suggestion: Management should adjust the Cost Report to exclude these unallowable expenditures.

Problem: The Facility received reimbursement for some of the training costs incurred during the year, but did not remove these costs from the Cost Report

Suggestion: Management should adjust the Cost Report to exclude these unallowable expenditures.

The Facility has reviewed the above matters and the Schedule of Adjustments. Written responses received by us during the comment period were considered and, if acceptable, mutually agreed-upon modifications have been reflected in our reports. Any further modifications and administrative follow-up will be handled by the Department of Health and Social Services of the State of Delaware.

This report is intended solely for the information and use of the Office of Auditor of Accounts of the State of Delaware, the Department of Health and Social Services of the State of Delaware and the Board of Directors and management of Courtland Manor, Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of the Budget, and the Department of Finance. However, under 29 Del. C. Section 10002, this report is public record and its distribution is not limited.

*McBride, Shogan & Co*

Wilmington, Delaware  
August 16, 2007